

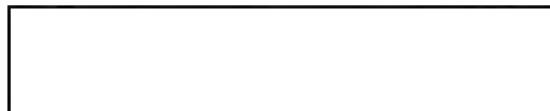
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GOVERNMENT EMPLOYEES HEALTH ASSOCIATION

Meeting of the Board of Directors

5 January 1966

A regular meeting of the Government Employees Health Association Board of Directors was held on 5 January 1966, at 10:00 a.m. in Room 5E62, Headquarters. Those present were:



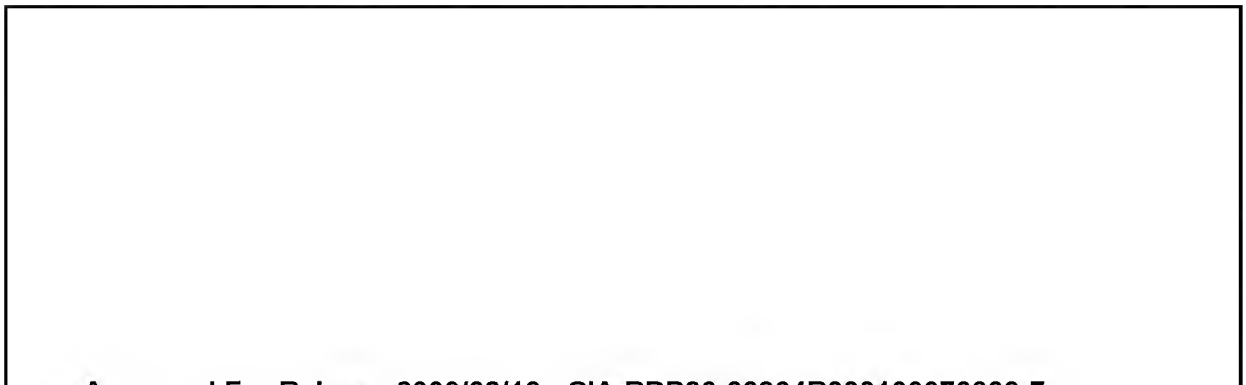
Joseph Becker, Director
John M. Clarke, Director



Absent

The Chairman called the meeting to order and noted that the regular December meeting was cancelled because of emergency commitments by a majority of the Directors. This meeting was scheduled in place of the December meeting. The reading of the Minutes of the last meeting was dispensed with since all Board members had received advance copies.

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been covered for a higher amount will carry a higher amount into retirement. The "average" concept also guards the program against employees switching from lower to higher insurance in contemplation of retirement.

3. The maximum of \$5,000 is based on actuarial advice and is the amount which the underwriter feels can be supported by the program.

After a lengthy discussion by Board members of the proposed plan, the President then initiated a discussion of the means by which the new program would be financed. Two alternatives were presented:

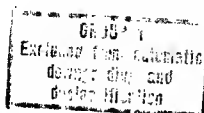
1. Insurance--actual insurance can be purchased for the coverages specified in Classes I and III. The underwriter has quoted a premium rate of \$2.75 per thousand per month.

2. Self-insurance through use of premium return and reserve--retiree claims could be paid from the return of premiums due from the basic UBLIC policy. If the return of premiums is inadequate, the present UBLIC reserve would be used to satisfy retiree claims.

Example: If our UBLIC premium amounts to \$500,000 and claims of active employees amounted to \$100,000, a substantial return of premium to GEHA would be expected. This sum would be used to pay any retiree claims that may have been presented during the period, and the return of premium would be reduced thereby. Another example: If employee claims amounted to \$400,000 and retiree claims to \$125,000, the premium payments to the underwriter would not be sufficient to pay all claims and retention costs. Thus, the present UBLIC reserve would be used to pick up the excess retiree claims.

The President emphasized here that the UBLIC reserve would only be used to pay excess retiree claims and under no circumstances would it be used to pay excess employee claims.

Example, assuming a premium payment of \$500,000: If a disaster occurred and employee claims amounted to \$600,000, the Underwriter could not charge our present reserve (except for the \$60,000 it is holding) to make up the gap between claims and premiums. Of course, in this example all retiree claims would be paid from our reserve.



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The President reported that the underwriter estimated at \$1,930,000 the cost of the second alternative over a twenty year period. He reported further, however, that he has requested a more definite statement of cost and of estimated return of premium for a 20 year period. Based on current estimates, however, it appears that the retirement benefit could be entirely self-sustaining.

25X1 There followed a lengthy discussion of the two funding alternatives, the proposal, and related items. Finally, the Chairman requested Board action in principle, which would allow the officers to proceed with the development of the proposal as presented. [redacted] made a motion that the Board approve in principle, the proposed UBLIC retirement feature, as presented by the President, to be submitted for approval at a later date. Mr. Clarke seconded the motion, which was carried.

There followed a discussion of the need to bring young employees into the UBLIC plan, and Mr. Clarke requested that the officers develop a specific method or plan to attract younger Agency employees. The President said that a report would be ready at the next Board meeting.

25X1 The President then reported that the UBLIC current reserve is now approximately \$625,000 and asked for Board approval to reimburse the cost of a GS-12 position. After some discussion, [redacted] made the motion that GEHA reimburse the Agency for the costs of a GS-12 position; Mr. Clarke seconded the motion, which was unanimously approved.

Mr. Clarke asked the Chairman if an Investment Committee could be organized to look into the processes of investing GEHA's money. The Chairman then appointed Mr. Clarke and [redacted] to serve on the Investment Committee. 25X1

The Chairman stated that there will be a meeting in February.

There being no further business, the meeting was adjourned at 11:00 a.m.

Respectfully submitted,

[redacted]
Vice President-Secretary 25X1



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